

Corp. Stock

CANADIAN PACIFIC RAILWAY COMPANY

ANNUAL REPORT

FOR THE
YEAR ENDED DECEMBER 31

1941

MONTREAL, MARCH, 1942

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CANADIAN PACIFIC RAILWAY COMPANY

NOTICE TO SHAREHOLDERS

The Sixty-first Annual General Meeting of the Shareholders of this Company, for the election of Directors to take the places of the retiring Directors and for the transaction of business generally, will be held on Wednesday, the sixth day of May next, at the principal office of the Company, at Montreal, at twelve o'clock noon.

The Ordinary Stock Transfer Books will be closed in Montreal, Toronto, New York and London at 3 p.m. on Tuesday, the fourteenth day of April. The Preference Stock Books will be closed in London at the same time.

All books will be re-opened on Thursday, the seventh day of May.

By order of the Board,

F. BRAMLEY,
Secretary.

MONTREAL, March 16, 1942.



BOARD OF DIRECTORS.

SIR EDWARD BEATTY, G.B.E.	- - - - -	MONTREAL.
L. J. BELNAP	- - - - -	do
COL. HENRY COCKSHUTT	- - - - -	BRANTFORD.
D. C. COLEMAN	- - - - -	MONTREAL.
AIMÉ GEOFFRION, K.C.	- - - - -	do
G. BLAIR GORDON	- - - - -	do
HON. ERIC W. HAMBER	- - - - -	VICTORIA.
JOHN W. HOBBS	- - - - -	TORONTO.
RT. HON. REGINALD MCKENNA, P.C.	- - - - -	LONDON, ENG.
R. S. McLAUGHLIN	- - - - -	OSHAWA.
ROSS H. McMASTER	- - - - -	MONTREAL.
MAJ.-GEN. FRANK S. MEIGHEN, C.M.G.	- - - - -	do
SIR EDWARD PEACOCK, G.C.V.O.	- - - - -	LONDON, ENG.
ROBERT C. STANLEY	- - - - -	NEW YORK.
W. N. TILLEY, K.C.	- - - - -	TORONTO.
MORRIS W. WILSON	- - - - -	MONTREAL.

EXECUTIVE COMMITTEE.

SIR EDWARD BEATTY, G.B.E.	L. J. BELNAP
D. C. COLEMAN	ROSS H. McMASTER
W. N. TILLEY, K.C.	MORRIS W. WILSON

OFFICERS

CHAIRMAN AND PRESIDENT	- - - - -	SIR EDWARD BEATTY, G.B.E.	MONTREAL.
VICE-PRESIDENT	- - - - -	D. C. COLEMAN	do
SECRETARY	- - - - -	F. BRAMLEY	do
ASSISTANT SECRETARY	- - - - -	I. R. COLLINS	do
GENERAL COUNSEL	- - - - -	E. F. FLINTOFT, K.C.	do
GENERAL SOLICITOR	- - - - -	G. A. WALKER, K.C.	do
ASST. TO THE VICE-PRESIDENT	- - - - -	H. C. GROUT	do

FINANCIAL AND ACCOUNTING DEPARTMENTS

VICE-PRESIDENT AND TREASURER	- - - - -	L. B. UNWIN	MONTREAL.
ASSISTANT TO VICE-PRESIDENT	- - - - -	C. H. DICKINS	do
ASSISTANT TO VICE-PRESIDENT	- - - - -	J. A. DUNDAS	do
ASSISTANT TREASURER	- - - - -	A. E. H. CHESLEY	do
ASSISTANT TREASURER	- - - - -	T. H. MOFFITT	do
COMPTROLLER	- - - - -	E. A. LESLIE	do
ASSISTANT COMPTROLLER	- - - - -	W. R. PATTERSON	do
ASSISTANT COMPTROLLER	- - - - -	S. J. W. LIDDY	do

TRAFFIC DEPARTMENT

VICE-PRESIDENT	- - - - -	GEORGE STEPHEN	MONTREAL.
PASSENGER TRAFFIC MANAGER	- - - - -	R. G. MCNEILLIE	do
ASST. PASS. TRAFFIC MGR., EASTERN LINES	- - - - -	E. F. L. STURDEE	do
ASST. PASS. TRAFFIC MGR., WESTERN LINES	- - - - -	N. R. DESBRISAY	WINNIPEG.
OVERSEAS PASSENGER MANAGER	- - - - -	IAN WARREN	MONTREAL.
ACTING STEAMSHIP PASSENGER TRAFFIC MANAGER	- - - - -	H. B. BEAUMONT	do
FREIGHT TRAFFIC MANAGER	- - - - -	C. E. JEFFERSON	do
ASST. FREIGHT TRAFFIC MGR., EASTERN LINES	- - - - -	G. HIAM	do
ASST. FREIGHT TRAFFIC MGR., WESTERN LINES	- - - - -	H. W. GILLIS	WINNIPEG.
FOREIGN FREIGHT TRAFFIC MANAGER	- - - - -	G. C. DEW	MONTREAL.

Eastern Lines:

OPERATING DEPARTMENT

VICE-PRESIDENT AND GENERAL MANAGER	- - - - -	H. J. HUMPHREY	TORONTO.
ASSISTANT GENERAL MANAGER	- - - - -	N. M. McMILLAN	do
ASST. TO VICE-PRESIDENT & GENERAL MANAGER	- - - - -	S. M. GOSSAGE	do
GEN. SUPT. NEW BRUNSWICK DISTRICT	- - - - -	T. C. MACNAB	SAINT JOHN.
GEN. SUPT. QUEBEC DISTRICT	- - - - -	J. K. SAVAGE	MONTREAL.
GEN. SUPT. ONTARIO DISTRICT	- - - - -	H. A. GREENIAUS	TORONTO.
GEN. SUPT. ALGOMA DISTRICT	- - - - -	B. J. GUILTY	NORTH BAY.

Western Lines:

VICE-PRESIDENT	- - - - -	W. M. NEAL	WINNIPEG.
GENERAL MANAGER	- - - - -	W. A. MATHER	do
ASST. TO VICE-PRESIDENT	- - - - -	C. E. STOCKDILL	do
ASST. TO VICE-PRESIDENT	- - - - -	GRANT W. G. MCCONACHIE	do
ASST. GEN. MANAGER, BRITISH COLUMBIA DIST.	- - - - -	C. A. COTTERELL	VANCOUVER.
GEN. SUPT. ALBERTA DISTRICT	- - - - -	E. D. COTTERELL	CALGARY.
GEN. SUPT. SASKATCHEWAN DISTRICT	- - - - -	H. C. TAYLOR	MOOSE JAW.
GEN. SUPT. MANITOBA DISTRICT	- - - - -	W. S. HALL	WINNIPEG.
CHIEF ENGINEER	- - - - -	J. E. ARMSTRONG	MONTREAL.
CHIEF OF MOTIVE POWER AND ROLLING STOCK	- - - - -	H. B. BOWEN	do
MANAGER, DEPARTMENT OF PERSONNEL	- - - - -	GEORGE HODGE	do
GENERAL SUPT. OF TRANSPORTATION	- - - - -	G. T. COLEMAN	do
MANAGER OF SLEEPING AND DINING CARS	- - - - -	T. M. MCKEOWN	do
GENERAL MGR. OF COMMUNICATIONS	- - - - -	W. D. NEIL	do
CHIEF COMM. OF IMMIGRATION AND COLONIZATION	- - - - -	J. N. K. MACALISTER	do
GENERAL PURCHASING AGENT	- - - - -	B. W. ROBERTS	do
GENERAL MANAGER OF HOTELS	- - - - -	H. F. MATHEWS	do
MANAGER, DEPT. OF NATURAL RESOURCES	- - - - -	S. G. PORTER	CALGARY.
ORIENTAL MANAGER	- - - - -	D. DRUMMOND	HONG KONG.
ACTING EUROPEAN MANAGER	- - - - -	F. W. MOTTLEY, Trafalgar Square	LONDON.
DEPUTY SECRETARY AND REGISTRAR OF TRANSFERS	- - - - -	F. J. WHIDDETT, 8 Waterloo Place	do

TRANSFER AGENTS

Bank of Montreal Trust Company, 64 Wall Street	- - - - -	NEW YORK.
The Royal Trust Company, 105 St. James Street W.	- - - - -	MONTREAL.
The Royal Trust Company, 66 King Street W.	- - - - -	TORONTO.

CANADIAN PACIFIC RAILWAY COMPANY

SIXTY-FIRST ANNUAL REPORT

OF THE

DIRECTORS OF CANADIAN PACIFIC RAILWAY COMPANY

YEAR ENDED DECEMBER 31, 1941

To the Shareholders:

The accounts of the Company for the year ended December 31, 1941, show the following results:—

INCOME ACCOUNT

Gross Earnings.....	\$221,446,053
Working Expenses (including taxes).....	175,488,517
Net Earnings.....	\$ 45,957,536
Other Income.....	13,382,059
	<u>\$ 59,339,595</u>
Fixed Charges.....	\$ 24,228,698
Interest on bonds of Minneapolis, St. Paul & Sault Ste. Marie Railway Company, guaranteed as to interest by your Company.....	749,465
	<u>24,978,163</u>
Net Income.....	\$ 34,361,432
Dividends on Preference Stock:	
2% paid August 1, 1941—£564,070.....	\$ 2,521,391
2% payable February 2, 1942—£564,070.....	2,521,391
	<u>5,042,782</u>
Balance transferred to Profit and Loss Account.....	<u>\$ 29,318,650</u>

PROFIT AND LOSS ACCOUNT

Profit and Loss Balance December 31, 1940.....	\$144,045,295
Balance of Income Account for the year ended December 31, 1941.....	29,318,650
	<u>\$173,363,945</u>

DEDUCT:

Loss on lines abandoned and on property retired and not replaced.....	\$ 649,076
Exchange adjustment in respect of steamship insurance recovered in sterling.....	1,670,032
Miscellaneous—Net Debit.....	658,901
	<u>2,978,009</u>

Profit and Loss Balance December 31, 1941, as per Balance Sheet.....	<u>\$170,385,936</u>
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Net Income for the year amounted to \$34,361,432, being \$14,216,376 greater than in 1940.

RAILWAY EARNINGS AND EXPENSES

The comparative results of railway operations were as follows:

	1941	1940	Increase or Decrease
Gross Earnings.....	\$221,446,053	\$170,964,897	\$ 50,481,156
Working Expenses (including taxes)...	175,488,517	135,325,459	40,163,058
Net Earnings.....	<u>\$ 45,957,536</u>	<u>\$ 35,639,438</u>	<u>\$ 10,318,098</u>
Expense ratios:			
Including taxes.....	79.25%	79.15%	.10
Excluding taxes.....	71.65%	74.61%	2.96

GROSS EARNINGS increased by \$50,481,156, or 29.5%. The substantial increases occurring in the earlier months, as a result both of rising war-time activity and the delayed movement of the 1940 wheat crop, continued to the close of the year, even though the final quarter of 1940 had been a period of relatively heavy traffic.

FREIGHT EARNINGS increased by \$41,569,461, or 30.6%. They were exceeded only in 1928, when the greatest grain movement in the history of your Company occurred. The volume of freight traffic was greater than that of any previous year, amounting to 22,376 million ton miles, 21.5% above the 1928 peak of 18,423 million. The average revenue per ton mile dropped to 0.79 cents, the lowest since 1917.

Apart from grain and grain products, freight earnings reached a record level, with a gain over last year of 28.1%. This was almost entirely the result of the conversion of the national economy to a wartime basis. Increases took place in every major commodity group, the most striking being in manufactured goods, lumber and bituminous coal.

Earnings from grain and grain products increased by \$11,147,124, or 40.2%. The volume of grain handled was 215 million bushels, compared with 166 million bushels in 1940. This was considerably more than the average of 155 million bushels for the ten years 1931-40, which included a period of severe drought, but was well below the average of 254 million bushels for the five years 1925-29. The increase for the year resulted from larger export clearances and additional storage capacity at the head of the Great Lakes and other terminal ports, which made possible the movement of large quantities of grain from Prairie points.

The Prairie wheat crop amounted to 279 million bushels, as against 514 million in 1940, a decrease of about 45%. However, as a result of the large carry-over from the previous crop, it is estimated that the stock of wheat available for movement from the Prairie Provinces at the close of the year was only 25% less than in 1940.

PASSENGER EARNINGS increased by \$6,895,040, or 37.5%, and were the highest since 1930. Traffic throughout the Dominion was very heavy, particularly on your Company's transcontinental line. The average passenger journey was the longest yet recorded, rising to 144 miles as compared with 119 miles in 1940. However, the low rates in effect for members of the armed forces, both on duty and on furlough, caused a reduction in the average revenue per passenger mile to 1.91 cents, as against 1.97 cents in 1940, the lowest since 1916.

OTHER EARNINGS increased by \$2,016,655, or 12.0%. The largest increases occurred in sleeping and dining car and news services. Net payments for hire of equipment amounted to \$382,296 as compared with net receipts of \$89,390 in 1940.

WORKING EXPENSES increased by \$40,163,058, or 29.7%. Exclusive of taxes the increase was \$31,095,766, or 61.6% of the increase in gross earnings. The wartime cost-of-living bonus paid to employees under various Dominion Orders-in-Council amounted to approximately \$4,500,000. The first cost-of-living bonus was made effective on June 1 under Order-in-Council P.C. 7440, as amended by P.C. 4643, being at the rate of \$1.93 per week. On September 1 the rate was increased under these orders to \$3.20 per week, and on November 16, under Order-in-Council P.C. 8253, to \$3.65 per week. The last mentioned rate, if maintained, will involve an annual expenditure by your Company of more than \$10,000,000. The ratio of working expenses (excluding taxes) to gross earnings was 71.65%, as compared with 74.61% in 1940, and was the lowest since 1917.

MAINTENANCE OF WAY AND STRUCTURES EXPENSES increased by \$7,835,672. During the year 1,546,175 treated and 1,438,836 untreated ties were placed in track and 249 single track miles of new rail were laid.

Tie plates to the number of 2,137,550 and rail anchors to the number of 790,380 were installed. Testing of rails for invisible defects by Sperry detector car was continued. These cars traversed more than 5,000 miles of track during the year, and all defective rails indicated were removed. The unprecedentedly heavy traffic now being handled and the desirability in the national interest of curtailing the demand for labour and materials in order to avoid interference with the war effort made it advisable to limit the work of maintenance of track and structures to that required for safe operation. Consequently, it was deemed desirable to anticipate maintenance expenditures that will become necessary in the post-war period by including in the expenses for 1941 an amount of \$3,500,000 to create a special renewal reserve equal to the difference between the actual expenditure and that which would have been made under similar traffic conditions in peacetime.

MAINTENANCE OF EQUIPMENT EXPENSES increased by \$7,611,509. Locomotive repairs involved an expenditure of \$10,132,262, and included the shopping of 614 engines for heavy repairs. Nine locomotive boilers and seventeen tenders were replaced and automatic stokers were installed in thirty engines. Expenditures for freight car repairs amounted to \$9,406,014. The programme for the year included heavy repairs to 23,827 cars and application of cast steel truck side frames to 3,525 cars. Passenger train car repairs involved an expenditure of \$5,957,948. General overhauling of 1,387 cars was effected during the year. To meet the demands of traffic ten lounge and five compartment cars were converted into other classes of sleeping and parlor cars and air-conditioned. Steel centre sills and other improvements were installed in six baggage and express cars. At the end of 1941, 92.3% of locomotives and 98.0% of freight cars were in serviceable condition, as compared with 89.5% and 96.0%, respectively, the previous year. Charges for depreciation of rolling stock on the basis of use amounted to \$12,700,602, as compared with \$10,317,760 in 1940.

TRANSPORTATION EXPENSES increased by \$14,152,798. In spite of higher labour, fuel and material costs, the ratio of transportation expenses to gross earnings was the lowest on record, being 32.62% as against 33.97% in 1940. Although the special traffic conditions made unprecedented demands on rolling stock and facilities, a high degree of efficiency was maintained, as indicated by the following comparisons:

	1941	1940
Freight train load—gross tons.....	1,759	1,747
Freight train fuel consumption—pounds per 1,000 gross ton miles.....	98	97
Freight train speed—miles per hour.....	17.2	17.5
Freight car movement—miles per car day.....	46.20	36.13
Freight car load—tons.....	31.86	30.12
Gross ton miles per freight train hour.....	30,312	30,653
Revenue passenger miles per train mile.....	74.33	55.67

OTHER WORKING EXPENSES increased by a net amount of \$10,563,079, of which \$9,067,292 was attributable to higher taxes. Railway tax accruals of \$16,833,158, including \$12,400,000 for Dominion income and excess profits taxes, were by far the highest on record, absorbing 7.6% of the gross earnings and being equivalent to almost one-half of the net income for the year. These tax accruals do not include excise and sales taxes or customs duties, which though charged to working expenses are not segregated.

A chart showing the distribution of earnings and expenses for 1941 and 1940 is included at page 35 of this report.

OTHER INCOME

Other income amounted to \$13,382,059, an increase of \$2,689,895, or 25.2%.

Dividend income increased by \$342,672. Dividends paid by The Consolidated Mining and Smelting Company of Canada, Limited, were at the rate of \$2.50 per share, compared with \$2.25 in 1940, which resulted in an increase of \$420,625 in the amount received by your Company.

Net income from interest, exchange, separately operated properties and miscellaneous sources increased by \$2,253,202. Interest received on deferred payments on land contracts was greater, and income from the Steamship Replacement Fund was accrued for a full year for the first time. The net of receipts and payments in currencies other than Canadian during the year resulted in an increase in income from exchange.

Net earnings of ocean and coastal steamships amounted to \$2,788,297, a decrease of \$287,612. Agreement was reached on certain details of hire for requisitioned vessels which were still unsettled at the close of 1940. The present year's accounts include an amount of \$1,319,969, representing additional earnings for the previous year over and above the amount, partly estimated, which was shown in the last Annual Report. The decreased net earnings for the year are accounted for by the fact that fewer ocean vessels were in operation. Coastal steamship operations resulted in an increase in net earnings of \$387,628.

Net earnings of hotel, communication and miscellaneous properties increased by \$381,634. Every hotel reported improved earnings, and the total increase amounted to \$367,228. The increase in communication earnings was \$266,579, accounted for largely by gains in ordinary commercial telegraph transmissions and telegraph tolls on cable messages. There was a decrease of \$252,173 in earnings of miscellaneous properties.

FIXED CHARGES AND GUARANTEED INTEREST

Fixed charges decreased by \$1,152,018. The principal reductions resulted from the retirement without refunding of the Twenty Year 4½%

Sinking Fund Secured Note Certificates and of substantial amounts of the Collateral Trust Bonds and Serial Secured Notes.

The amount charged to income on account of guaranteed interest on Soo Line bonds was reduced from \$805,830 in 1940 to \$749,465, as a result of the discontinuance of the practice of computing interest accruals on the bonds held by your Company. Heretofore this interest has been taken up through Other Income, so that the change in accounting has no effect on Net Income.

DIVIDENDS

Dividends amounting to \$5,042,782, being at the rate of 4% on the non-cumulative Preference Stock, were declared out of the Net Income for the year.

After careful consideration it was decided not to declare any dividend for the year 1941 on the Ordinary Capital Stock. In reaching this decision your Directors are of the opinion that greater benefit will inure to the shareholders through the further strengthening of the financial resources of your Company than from a disbursement of current income. The increase in earnings during the last two years has been due almost entirely to wartime activity and cannot be depended upon as a true indication of future results. The shareholders' equity will continue to be enhanced to the extent that capital expenditures and maturing obligations are met without recourse to new financing, and your Company will be in a better position to meet the unpredictable conditions of the post-war period, which may require extensive changes in facilities and services.

PROFIT AND LOSS ACCOUNT

The balance of income account transferred to profit and loss amounted to \$29,318,650, as compared with \$15,102,274 in 1940.

Loss on lines abandoned and on property retired and not replaced amounted to \$649,076. Three sections of branch line in the Province of Quebec were abandoned during the year, viz., Mando to Point Fortune, 6.8 miles, Kingsbury to Windsor Mills, 9.3 miles, and Eastman to Peasley's Siding, 6.8 miles.

The profit and loss balance at the close of the year was higher by \$26,340,641 than at the end of 1940.

LAND ACCOUNTS

During the year 89,449 acres of agricultural lands were sold for \$569,717, an average price of \$6.37 per acre. Included in this total were 200 acres of irrigated land, sold at an average price of \$39.94 per acre.

Cash received on land account totalled \$2,856,347, including \$498,599 for petroleum rights, coal land rents and royalties, and gas royalties.

Disbursements for land and irrigation expenses, including taxes, were \$1,297,419, leaving net cash receipts of \$1,558,928. This was an improvement of \$356,614 over the previous year.

Continuing the policy of rendering assistance to farmers in the Western Provinces who have suffered through adverse conditions, your Company extended to the current crop year the same rebates of interest and other concessions as were granted in 1940. The total amount of assistance to holders of farm contracts since 1932 has been \$18,130,562.

BALANCE SHEET

The General Balance Sheet is presented with its supporting schedules in its customary form. For clarity and brevity all amounts have been shown in even dollars.

The net increase in Property Investment during the year amounted to \$5,515,477.

Owing to increased insurance risk resulting from wartime conditions, it was decided to retain in the Insurance Fund the excess of premiums and investment income over losses sustained during the year. As a result, the Insurance Fund and Insurance Reserve were increased by \$740,835.

The Steamship Replacement Fund was augmented by further amounts recoverable as insurance on vessels lost through enemy action during the year and by interest earned by the fund.

The excess of Current Assets over Current Liabilities was \$57,909,423, or \$7,630,457 greater than at the end of the previous year. The increased amount of income and excess profits taxes unpaid, together with the provision for redemption of outstanding Twenty Year 4½% Secured Note Certificates, which were called on June 15, account for the increase of \$10,190,120 in Other Current Liabilities.

Miscellaneous Accounts Payable include \$980,940 which was paid to the Dominion Government on January 2, 1942. Of this amount \$110,940 was the final instalment on the 2½% loan under the Unemployment Relief and Assistance Act, 1936, and \$100,000 the current instalment and \$770,000 the entire unpaid balance of the 4% loan under the Supplementary Public Works Construction Act, 1935, which was repayable serially to 1950.

FINANCE

Serial 3% Collateral Trust Bonds to the amount of \$1,000,000 were redeemed, and 3% Collateral Trust Bonds due 1945 to the amount of \$2,000,000 and 6% Collateral Trust Bonds due 1942 to the amount of \$223,000 were purchased and cancelled. Consolidated Debenture Stock to the amount of \$3,953,200, pledged as collateral to these bonds, was released and cancelled.

During the year \$331,000 of matured but unredeemed Collateral Trust Bonds were paid. Consolidated Debenture Stock to the amount of \$397,200, pledged as collateral to these bonds, was released and cancelled.

Equipment obligations to the amount of \$3,918,202 matured and were paid, and Consolidated Debenture Stock to the amount of \$268,000 pledged under Series "D" was released and cancelled. The sum of \$2,746,292 was deposited with the Trustee of the Equipment Trust maturing July 1, 1944. Under authority of the Trust Agreement the Trustee expended \$691,117 of the amount deposited in the purchase of new rolling stock to be leased to your Company and also purchased and cancelled \$189,000 of the Equipment Trust Certificates.

Serial 4% Secured Notes to the amount of \$638,285 were redeemed on February 1, and on such redemption Consolidated Debenture Stock to the amount of \$1,631,500 was released and cancelled.

The balance of \$18,473,100 Twenty Year 4½% Sinking Fund Secured Note Certificates, maturing December 15, 1944, were called for redemption on June 15. By the end of the year \$17,209,700 of these Note Certificates had been redeemed, and the amount owing with respect to the remaining \$1,263,400 is included in the balance sheet under Other Current Liabilities.

On December 1, \$2,000,000 of the 3% Serial Secured Notes, maturing December 1, 1943, were prepaid. As a result of such prepayment Consolidated Debenture Stock to the amount of \$2,000,000 was released and cancelled, and 68,000 shares of capital stock of The Consolidated Mining and Smelting Company of Canada, Limited, were released.

At the beginning of the year 1941 the sum of \$210,940 was repaid to the Dominion Government in reduction of the liability for loans made on account of unemployment relief.

The financial transactions for the year provided for the retirement without refunding of \$29,486,493 of bonds, notes and other obligations, and in a reduction of \$8,249,900 in the amount of Consolidated Debenture Stock issued as collateral.

PENSIONS

Your Company's outlay under its pension plan and the levies upon it under the United States Railroad Retirement Act aggregating \$3,562,671 were included in working expenses.

The number of employees pensioned during the year was 637. After allowing for deductions owing to death and discontinuance from other

causes, the total number on the pension payroll at the end of the year was greater by 282 than at the end of 1940.

Distribution by ages was as follows:

Under 60 years of age.....	252
From 60 to 64 years of age inclusive.....	507
From 65 to 70 years of age inclusive.....	2,093
Over 70 years of age.....	1,594
	4,446

AIR LINES

The Air Services Department organized by your Company in 1940 in co-operation with the British Ministry of Aircraft Production ceased operation on July 15. The activities of this department had expanded rapidly in conjunction with the acquisition by the British Government of military aircraft in America and were conducted on a non-profit basis. Atfero, a special branch of the Ministry, took over the operations previously carried on by the civilian organization set up by your Company until the services were finally brought under the direction of the Royal Air Force Ferry Command.

In furtherance of the policy outlined in the proceedings of the last annual meeting with respect to acquisition of a controlling interest in various air lines, your Company acquired the entire capital stock of Arrow Airways Limited and Dominion Skyways Limited, and a majority interest in Canadian Airways Limited, Prairie Airways Limited and Wings Limited.

The operating reorganization of the lines is proceeding, and it is anticipated that as a result of the steps being taken air transportation in Northern and Western Canada will be placed on a more efficient basis. As will be seen from the map accompanying this report, these lines furnish the only practical agency of transportation to and from large portions of the Central and Western Provinces and the Yukon and Northwest Territories. Journeys which now take but a few hours formerly consumed weeks or months by the primitive means of transportation then available. Practically speaking, the existence of the communities which have been established in these areas depends upon the continuation of aeroplane service.

It is planned to extend these services as requirements demand. Such extensions, other than those directly called for in the prosecution of the war, will of course be restricted by the amount of equipment available for commercial transportation purposes, but subject to that limitation every effort will be made to provide modern and economical air service throughout those parts of the Dominion served by your affiliated companies.

The Government has recognized the necessity for the maintenance of these services, and the necessary priorities have been granted for equipment, repair parts and supplies to enable this to be done.

Your investment in these affiliated companies, including advances for the acquisition of equipment, working capital and other requirements, amounts to approximately \$3,400,000. Further steps towards the consolidation of these companies are being taken.

MINNEAPOLIS, ST. PAUL & SAULT STE. MARIE RAILWAY COMPANY

The gross earnings of this Company increased by \$2,609,258, and the net earnings were \$2,313,569 as compared with \$2,036,278 in 1940. The grain crop in the area served by the Soo Line amounted to 50 million bushels, compared with 40 million in 1940. This was the largest crop since 1928. Working expenses for 1941 included \$396,821 for special amortization of equipment authorized by a defence certificate.

As forecast in the last Annual Report, the negotiations between your Company, the Trustees of the Soo Line and representatives of holders of Soo Line Bonds resulted in an agreed plan of reorganization. This plan was filed with the Interstate Commerce Commission by the Trustees on March 19. It includes a provision that if a plan should finally be approved and made effective substantially in the form of that filed by the Trustees, your Company would enter into a traffic agreement with the reorganized company providing for the continuation of the traffic relationships and arrangements between the two companies which existed between the Trustees of the Soo Line and your Company on November 1, 1940.

A public hearing was held before one of the Commission's examiners in May and his report recommending a modified plan of reorganization was issued on August 29. Exceptions having been filed by some of the parties in interest, a hearing by the Commission was held on October 28. A draft of the proposed new traffic agreement has been agreed upon and filed with the Commission at its request, but no final report has yet been issued.

In the meantime, no further proceedings are being taken in the action pending in the Circuit Court of Cook County, Illinois, referred to in the Annual Report of 1939.

The only action which is being pressed in connection with guarantee of interest on the First Consolidated Bonds is a suit in the State of Ohio in which an appeal from the judgment in favour of your Company is pending.

THE DULUTH, SOUTH SHORE AND ATLANTIC RAILWAY COMPANY

The gross earnings of this Company increased by \$747,184, and the net earnings were \$627,466 as compared with \$279,722 in 1940.

The litigation to which reference was made in the last Annual Report is still pending and has further delayed the filing of a plan of reorganization. Just prior to the close of the year, representatives of holders of the First Mortgage Bonds made a request for the re-opening of the negotiations broken off in April 1940.

RATES AND SERVICES

No major changes in freight rates occurred during the year. Eight new agreed charges were put into effect, among them one applying on petroleum products shipped from Calgary to points in Alberta and Saskatchewan. This should be of material assistance in the orderly marketing of the product of Turner Valley oil in the Prairie Provinces.

Effective November 5, 1939, all personnel of His Majesty's forces proceeding on leave were granted a fare for round trip travel equivalent to the regular one-way fare. On July 10, 1941, special passenger fares, at the rate of two-thirds of the one-way fare for the round trip, were put into effect for members of the armed forces on annual or embarkation leave. Half of the reduced fare is paid by the Dominion Government and the other half by the passenger.

Maximum freight, passenger and express rates in Canada were fixed by the Wartime Prices and Trade Board at the level in effect during the period September 15 to October 11, 1941. Increases in such rates may only be made with the concurrence of the Board. Temporary or seasonal rates heretofore existing may be applied as in the past.

New rolling stock placed in service during the year included 25 air-conditioned first class coaches of the most modern design, 10 light weight steel baggage and express cars equipped with end doors for handling automobiles and other special shipments, 500 steel box cars of 50 tons capacity, 550 steel coal cars of 50 tons capacity with twin hoppers and 250 of 70 tons capacity with three hoppers. The 35 locomotives, 150 automobile cars and 25 additional first class coaches for which appropriations were approved at the last annual meeting had not been delivered by the close of the year.

The declaration of war upon Japan resulted in the closing of your Company's agencies in Japanese and Japanese-occupied territory.

WARTIME ACTIVITIES

Transportation requirements during the year were unusually severe. In addition to the heavy traffic handled in regular services, there were many calls for emergency movements. These demands were intensified with the opening of hostilities in the Pacific.

Motive power and other rolling stock were utilized to a degree never before reached in the history of your Company. In the case of freight

cars, the improvement was the result to a large extent of whole-hearted co-operation on the part of the shipping public. Moreover, in addition to the substantial increase in the carrying capacity of cars, the improvements in design and construction of the modern equipment provided during recent years have made possible a material reduction in the time spent for repairs.

The increased traffic resulting from war activities necessitated the extension of a number of railway facilities which were adequate for normal business. During the year 36 miles of new yard and siding track were constructed, and 71 miles of new industrial tracks were provided to serve 115 new plants and undertakings throughout the Dominion. Most of this construction pertains to war projects undertaken either by private interests or by the Government and its various agencies.

The programme of munitions production at your Company's shops has proceeded with marked success, and the many difficulties incident to the initiation of the special projects have been effectively overcome. At the close of the year the rate of production of Valentine tanks at the Angus Shops in Montreal had reached the objective of three per day. These tanks compare very favourably in cost with units of similar design produced elsewhere. A considerable number of them have been shipped to Russia, where they have rendered effective service in the field. Certain extensions and additions to the Angus Shops have been constructed for this work.

Preparatory work for the construction of naval guns and mountings at the Ogden Shops in Calgary was completed, and production was under way shortly before the close of the year. The entire locomotive shop at Ogden is being devoted to this purpose, and it has been necessary to make certain additions to facilities elsewhere to take care of heavy locomotive repair work previously done at Ogden.

Through the medium of the air lines which have been acquired by your Company, the Royal Canadian Air Force has been supplied with a large number of skilled pilots and technical help for administrative work in the British Commonwealth Air Training Plan. In addition, one elementary flying training school, six air observer schools and three plants for the overhaul of planes and engines are maintained at various points throughout the Dominion. An additional overhaul plant is now under construction.

Your Company's entire fleet of ocean steamships, together with two units of the British Columbia coastal fleet, are either in the service of the Ministry of War Transport of the United Kingdom or serving as auxiliary craft with the Royal Navy. In compliance with government policy, the usual table of steamships and gross tonnage has been omitted from this report.

The growth of the activities of the Canadian office of the Ministry of War Transport, which was organized under the direction of your Chairman and President, required the services of a full time Representative, and Mr. George D. Huband of the Cunard White Star Line was appointed to this post, effective October 1. For the previous two years Mr. Huband had been associated with the Ministry in the United States and has had wide experience in handling shipping problems. Four of your Company's officers, with some members of their staffs, remain in the service of the Ministry, and the office of the Representative is maintained at Windsor Station in Montreal.

A large number of the officers and employees of your Company continue to be engaged in various capacities with departments and agencies of the Canadian and British Governments in the prosecution of the war effort. In addition, at the close of the year, 3,758 officers and employees had enlisted in the armed forces, and 5,552 members of the steamship organization were in Admiralty or other Government service.

Enthusiastic participation of officers and employees in patriotic activities continued throughout the year. War Savings Certificates are being purchased through monthly deductions from wage and salary cheques, and at the end of the year 31,809 employees were participating in this plan. Your Company's staff has also taken an active part in the Victory Loan campaigns of the Dominion Government and has made substantial purchases of Victory Bonds.

The employees' Golden Aircraft Fund, which had been organized in the previous year, presented \$50,000 to the Royal Canadian Air Force for the purchase of two fighter planes. The presentation took place on November 26 at a ceremony held in the concourse of Windsor Station in Montreal.

During the year your Company and the Pension Trust Fund subscribed \$10,000,000 to the Canadian Victory Loan 1941.

CAPITAL EXPENDITURES

In anticipation of your confirmation, your Directors authorized capital appropriations for the year 1941 amounting to \$5,949,762 in addition to those approved at the last annual meeting. Among these was \$974,000 for the purchase of one hundred refrigerator cars to be delivered in 1942, and a supplementary appropriation of \$820,130 to permit of the purchase of fifteen Pacific type locomotives of a heavier class than contemplated by the original appropriations approved last year. There was also included an amount of \$2,137,577, representing the ledger value of rolling stock units of the Montreal and Atlantic, Esquimalt and Nanaimo and Algoma Eastern Railways, which were transferred to your Company's ownership in accordance with the general policy of consolidating the

investment in rolling stock as far as possible in the parent company; this transaction involved no cash outlay on the part of your Company.

Your approval will also be requested for capital appropriations of \$13,970,890 applicable to the present year. The principal items are:

Replacement and enlargement of structures in permanent form.....	\$ 311,943
Additions and betterments to stations, freight sheds, coaling and watering facilities and engine houses.....	1,178,630
Ties, tie plates, rail anchors, ballasting and miscellaneous roadway betterments.....	1,819,769
Replacement of rail in main and branch line tracks with heavier section....	772,374
Installation of automatic signals.....	100,613
Additions and betterments to shop machinery.....	454,654
Additional terminal and side track accommodation.....	683,627
New rolling stock.....	7,766,432
Additions and betterments to rolling stock.....	423,974
Additions and betterments to hotels.....	16,586
Additions and betterments to communication facilities.....	260,951

The appropriations for new rolling stock provide for the construction of 7 Pacific type locomotives for passenger and fast freight service, 20 Mikado type locomotives for heavy freight service, 500 40-ton steel box cars, 250 50-ton steel box cars, 150 70-ton ore cars and 30 cabooses.

CO-OPERATION WITH THE CANADIAN NATIONAL RAILWAYS

One additional co-operative project under the provisions of the Canadian National-Canadian Pacific Act was made effective during the year, viz., the abandonment of 5.09 miles of Canadian National line between Red Deer and Red Deer Junction, Alberta. Under this abandonment the Canadian National Railways use certain of the facilities of your Company, with a net economy estimated at \$2,560 per annum to be shared equally by the two railways.

The Board of Transport Commissioners issued orders during the year approving applications involving the abandonment of 38.0 miles of line and disallowing abandonment of 205.1 miles, in addition to rescinding authority issued in 1940 to abandon 37.9 miles. At the end of the year, applications remaining before the Board comprised 229.8 miles of track, including 187.1 miles operated by your Company.

AGREEMENTS

The following agreements made by your Directors will be submitted for your approval:—

1. Agreement dated August 1, 1940, between the Canadian National Railway Company and your Company respecting the joint use for switching purposes of certain lines of railway of both parties on the north bank of the Lachine Canal at or near Montreal during the period from January 1, 1930 to December 31, 1949, inclusive; the switching service to be performed by the Canadian National and your Company to

pay its wheelage proportion of the expense; each Company to pay one-half of the interest charge on Capital Account and its wheelage proportion of the expense of maintenance and operation (other than switching) of that portion of the joint section owned by the other. This agreement cancels and replaces an agreement with The Grand Trunk Railway Company of Canada dated December 1, 1903.

2. Agreement dated August 1, 1940, between the Canadian National Railway Company and your Company respecting the joint use for switching purposes of your Company's branch on the south bank of the Lachine Canal at or near Montreal during the period January 9, 1929 to December 31, 1949, inclusive; the switching service to be performed by your Company; the Canadian National to pay one-half of the interest charge on Capital Account and its wheelage proportion of the expense of maintenance and operation, including switching.

STOCK HOLDINGS

The holdings of the Capital Stock of the Company at December 31 were as follows:

	ORDINARY		PREFERENCE		TOTAL
	No. of Holders	Percentage of Stock	No. of Holders	Percentage of Stock	Percentage of Stock
Canada.....	26,012	17.74	154	.60	12.66
United Kingdom and other British.....	19,316	53.15	25,798	96.37	65.96
United States.....	14,520	22.83	64	.33	16.16
Other Countries.....	3,542	6.28	584	2.70	5.22
	63,390		26,600		

CHANGES IN DIRECTORATE

It is with deep regret that your Directors report the loss by death during the year of two members of the Board, both members of the Executive Committee and resident in Montreal, the Rt. Hon. Arthur B. Purvis, P.C., in August and Sir Herbert S. Holt, in September.

Sir Herbert Holt was the senior member of the Board of Directors and Executive Committee of the Company, having served as a Director since 1911 and as a member of the Executive Committee since 1914. His wide experience and keen insight were of inestimable value in the conduct of your Company's affairs. As a financier and industrialist he made a notable contribution to the development of Canada, and his practical support of education and medical and surgical science was a very important factor in preserving the outstanding position of Montreal in these activities.

Mr. Purvis was appointed a Director in 1938 and was chosen as a member of the Executive Committee in the following year. In his association with your Company he gave to its affairs the full benefit of his wise counsel and great executive ability. His tragic and lamentable death occurred during a visit to Great Britain in the performance of his important duties as Chairman of the British Supply Council in North America. The value of his special services on behalf of the cause of the Allies as well as the splendid contribution which he made to the industrial and economic life of Canada and the improvement of its social conditions were universally recognized.

Mr. L. J. Belnap and Mr. Morris W. Wilson were chosen to fill the vacancies on the Executive Committee.

RETIRING DIRECTORS

The undermentioned Directors will retire from office at the approaching annual meeting. They are eligible for re-election.

MR. L. J. BELNAP

HON. ERIC W. HAMBER

RT. HON. REGINALD MCKENNA, P.C.

MR. ROSS H. McMASTER

MR. MORRIS W. WILSON

Your Directors desire to record their appreciation of the loyal and efficient service given by the officers and employees throughout the year.

For the Directors,



President.

MONTREAL, March 16, 1942.

CANADIAN PACIFIC

GENERAL BALANCE

ASSETS

PROPERTY INVESTMENT:

Railway, Rolling Stock, Inland Steamships, Hotel, Communication and Miscellaneous Properties.....	\$ 855,795,669	
Improvements on Leased Property.....	97,722,158	
Ocean and Coastal Steamships.....	79,249,142	
Stocks, Bonds and Other Securities of Leased, Con- trolled and Jointly Controlled Railway Companies and Wholly Owned Companies.....	194,112,303	
		\$ 1,226,879,272

OTHER INVESTMENTS:

Miscellaneous Investments—Cost.....	\$ 27,595,427	
Advances to Controlled and Other Companies.....	27,093,673	
Mortgages Collectible and Loans & Advances to Set- tlers.....	3,370,894	
Deferred Payments on Lands and Townsites.....	30,605,011	
Unsold Lands and Other Properties.....	22,990,193	
Insurance Fund.....	9,006,509	
Steamship Replacement Fund.....	21,545,701	
		142,207,408

CURRENT ASSETS:

Material and Supplies.....	\$ 25,125,019	
Agents' and Conductors' Balances.....	12,143,219	
Miscellaneous Accounts Receivable.....	12,992,350	
Cash.....	48,043,813	
		98,304,401

UNADJUSTED DEBITS:

Insurance Prepaid.....	\$ 203,866	
Unamortized Discount on Bonds.....	1,949,555	
Other Unadjusted Debits.....	996,405	
		3,149,826
		<u>\$ 1,470,540,907</u>

NOTE—Particulars of securities held for account of the Company, of obligations of the Company in respect of the principal of securities of other companies owning railway lines operated under lease, and of contingent liabilities of the Company are set out in the accompanying schedules.

RAILWAY COMPANY

EET, DECEMBER 31, 1941

LIABILITIES

CAPITAL STOCK:	
Ordinary Stock.....	\$ 335,000,000
Preference Stock—4% Non-cumulative.....	137,256,921
	<u>\$ 472,256,921</u>
PERPETUAL 4% CONSOLIDATED DEBENTURE STOCK.....	\$ 471,171,229
LESS: Pledged as collateral to bonds, notes and equipment obligations.....	175,733,000
	<u>295,438,229</u>
FUNDED DEBT.....	\$ 190,659,625
LESS: Securities and cash deposited with Trustee of 5% Equipment Trust.....	13,078,103
	<u>177,581,522</u>
CURRENT LIABILITIES:	
Pay Rolls.....	\$ 4,587,409
Audited Vouchers.....	9,746,148
Net Traffic Balances.....	1,211,681
Miscellaneous Accounts Payable.....	4,520,423
Accrued Fixed Charges and Guaranteed Interest....	2,335,406
Unmatured Dividend Declared.....	2,521,391
Other Current Liabilities.....	15,472,520
	<u>40,394,978</u>
DEFERRED LIABILITIES:	
Dominion Government Unemployment Relief.....	\$ 2,447,223
Miscellaneous.....	3,463,187
	<u>5,910,410</u>
RESERVES AND UNADJUSTED CREDITS:	
Maintenance of Way Renewal Reserve.....	\$ 3,500,000
Rolling Stock Depreciation Reserve.....	72,422,242
Hotel Depreciation Reserve.....	8,517,877
Steamship Depreciation Reserve.....	55,749,033
Investment Reserves.....	17,542,428
Insurance Reserve.....	9,006,509
Contingent Reserves.....	5,184,870
Unadjusted Credits.....	3,619,263
	<u>175,542,222</u>
PREMIUM ON CAPITAL AND DEBENTURE STOCK.....	68,551,646
LAND SURPLUS.....	64,479,043
PROFIT AND LOSS BALANCE.....	170,385,936
	<u><u>\$ 1,470,540,907</u></u>

E. A. LESLIE,
Comptroller.

TO THE SHAREHOLDERS,
CANADIAN PACIFIC RAILWAY COMPANY:

We have examined the Books and Records of the Canadian Pacific Railway Company for the year ending December 31, 1941, and having compared the above Balance Sheet and related schedules therewith, we certify that in our opinion it is properly drawn up so as to show the true financial position of the Company at that date, and that the Income and Profit & Loss Accounts correctly set forth the result of the year's operations.

The records of the securities owned by the Company at December 31, 1941 have been verified by an examination of those securities in the custody of its Treasurer and by certificates received from such depositaries as are holding securities for safe custody for the Company.

Montreal, March 9, 1942.

PRICE, WATERHOUSE & CO.,
Chartered Accountants.

GROSS EARNINGS FOR THE YEAR ENDED DECEMBER 31, 1941

Freight.....	\$ 177,401,114
Passenger.....	25,296,788
Mail.....	3,683,725
Express.....	4,292,756
Sleeping, Parlor and Dining Car and Miscellaneous..	10,771,670
Total.....	<u>\$ 221,446,053</u>

WORKING EXPENSES FOR THE YEAR ENDED DECEMBER 31, 1941

Maintenance of Way and Structures.....	\$ 29,456,047
Maintenance of Equipment.....	41,367,913
Traffic.....	4,798,086
Transportation.....	72,226,835
Miscellaneous Operations.....	3,732,990
General.....	7,073,488
Railway Tax Accruals.....	16,833,158
Total.....	<u>\$ 175,488,517</u>

OTHER INCOME FOR THE YEAR ENDED DECEMBER 31, 1941

Dividends.....	\$ 4,622,559
Net income from interest, exchange, separately operated properties and miscellaneous.....	4,961,830
Net earnings from ocean and coastal steamships after provision of \$3,822,368 for depreciation.....	2,788,297
Net earnings from hotel, communication and miscellaneous properties after provision of \$1,400,624 for depreciation of hotels.....	1,009,373
Total.....	<u>\$ 13,382,059</u>

FIXED CHARGES FOR THE YEAR ENDED DECEMBER 31, 1941

RENT FOR LEASED ROADS:

Alberta Railway & Irrigation Company.....	\$ 1,290
Algoma Eastern Railway.....	111,325
Atlantic & North-West Railway.....	253,067
Calgary & Edmonton Railway.....	218,358
Connecticut & Passumpsic Rivers Railroad.....	246,000
Dominion Atlantic Railway.....	168,500
Fredericton & Grand Lake Coal & Railway.....	52,156
Glengarry & Stormont Railway.....	41,250
Guelph Junction Railway.....	38,480
Joliette & Brandon Railway.....	5,000
Lacombe & North Western Railway.....	13,685
Lindsay, Bobcaygeon & Pontypool Railway.....	20,000
Montreal & Atlantic Railway.....	33,120
New Brunswick Railway System.....	390,187
Ontario & Quebec Railway.....	1,234,795
Quebec Central Railway.....	634,754
St. Lawrence & Ottawa Railway.....	38,933
St. Stephen & Milltown Railway.....	2,050
Southampton Railway.....	1,418
Tobique Railway.....	9,901
Toronto, Hamilton & Buffalo Railway.....	8,717
Winnipeg River Railway.....	1
	\$ 3,522,987

INTEREST ON DEBENTURE STOCK AND FUNDED DEBT:

Perpetual 4% Consolidated Debenture Stock.....	\$ 11,817,529
Equipment Obligations.....	2,254,991
20 Year 4½% Collateral Trust Gold Bonds.....	900,000
25 Year 5% Collateral Trust Gold Bonds.....	1,500,000
30 Year 4½% Collateral Trust Gold Bonds.....	1,125,000
Convertible 10 Year 6% Collateral Trust Bonds.....	668,499
Convertible 15 Year 4% Collateral Trust Bonds.....	480,000
Serial 3% Collateral Trust Bonds.....	3,750
Convertible 15 Year 3½% Collateral Trust Bonds.....	350,000
Convertible 9½ Year 3% Collateral Trust Bonds.....	435,000
Serial 4% Secured Notes.....	278,281
Serial 3% Secured Notes.....	55,000
Serial 3½% Secured Notes.....	140,000
20 Year 4½% Secured Note Certificates.....	351,434
	20,359,484

INTEREST ON UNFUNDED DEBT.....

57,196

AMORTIZATION OF DISCOUNT ON FUNDED DEBT.....

289,031

\$ 24,228,698

CHANGES IN PROPERTY INVESTMENT YEAR ENDED DECEMBER 31, 1941

RAILWAY, ROLLING STOCK, INLAND STEAMSHIPS, HOTEL, COMMUNICATION AND MISCELLANEOUS PROPERTIES:

Balance at December 31, 1940..... \$846,653,117

Additions and Betterments (less retirements):

Railway.....	\$ 40,737
Rolling Stock.....	7,219,513
Inland Steamships.....	Cr. 90,534
Hotel, Communication and Miscellaneous Proper- ties.....	1,972,836

9,142,552

Total December 31, 1941, as per Balance Sheet..... \$ 855,795,669

IMPROVEMENTS ON LEASED PROPERTY:

Balance at December 31, 1940..... \$ 96,959,009

Additions and Betterments (less retirements):

Railway.....	\$1,818,354
Rolling Stock.....	Cr. 1,055,205

763,149

Total December 31, 1941, as per Balance Sheet..... 97,722,158

OCEAN AND COASTAL STEAMSHIPS:

Balance at December 31, 1940..... \$ 81,784,633

Additions and Betterments (less retirements):

Ocean.....	Cr. 2,616,553
Coastal.....	81,062

Cr. 2,535,491

Total December 31, 1941, as per Balance Sheet..... 79,249,142

STOCKS, BONDS AND OTHER SECURITIES OF LEASED, CONTROLLED AND JOINTLY CONTROLLED RAILWAY COMPANIES AND WHOLLY OWNED COMPANIES:

Balance at December 31, 1940..... \$195,967,036

ACQUIRED:

50 Shares Capital Stock Alberta Railway & Irriga- tion Company.....	\$ 5,000
50 Shares Capital Stock Lake Erie & Northern Rail- way Company.....	12

REDEEMED:

\$667,000 Mortgage Bonds Esquimalt & Nanaimo Railway Company.....	Cr. 667,000
\$12,745 Secured Notes Minneapolis, St. Paul & Sault Ste. Marie Railway Company.....	12,745
\$740,000 Mortgage Bonds Montreal & Atlantic Rail- way Company.....	Cr. 740,000
\$265,000 1st Mortgage Income Bonds Seignior Club Community Association Limited.....	Cr. 265,000
\$175,000 1st Mortgage Bonds Toronto Terminals Railway Company.....	175,000

Cr. 1,854,733

Total December 31, 1941, as per Balance Sheet..... 194,112,303

PROPERTY INVESTMENT December 31, 1941, as per Balance Sheet..... \$ 1,226,879,272

**STOCKS, BONDS AND OTHER SECURITIES OF LEASED, CONTROLLED AND
JOINTLY CONTROLLED RAILWAY COMPANIES AND WHOLLY
OWNED COMPANIES AT DECEMBER 31, 1941**

LEASED RAILWAY COMPANIES		Par Value or Principal Amount	
ALBERTA CENTRAL RAILWAY COMPANY			
† Mortgage Bonds.....	4%	\$	2,240,000
† Capital Stock.....			50,000
ALBERTA RAILWAY & IRRIGATION COMPANY			
† Mortgage Bonds.....	4%		1,676,000
† Capital Stock.....			3,228,500
ALGOMA EASTERN RAILWAY COMPANY			
† Preferred Stock.....			1,000,000
† Common Stock.....			2,000,000
AROOSTOOK RIVER RAILROAD COMPANY			
† Capital Stock.....			793,550
ATLANTIC & NORTH-WEST RAILWAY COMPANY			
† 1st Mortgage Bonds, Eganville Branch.....	4%		302,400
† Guaranteed Capital Stock.....	5%		3,240,000
† Common Stock.....			180,000
BRITISH COLUMBIA SOUTHERN RAILWAY COMPANY			
† 1st Mortgage Bonds.....	5%		1,175,000
† Capital Stock.....			172,200
CALGARY & EDMONTON RAILWAY COMPANY			
† Mortgage Bonds.....	4%		7,440,000
† Capital Stock.....			1,000,000
CAMPBELLFORD, LAKE ONTARIO & WESTERN RAILWAY CO.			
† Mortgage Bonds.....	4%		11,895,000
† Capital Stock.....			125,000
COLUMBIA & KOOTENAY RAILWAY & NAVIGATION COMPANY			
† 1st Mortgage Bonds.....	4%		1,277,500
† Capital Stock.....			250,000
COLUMBIA & WESTERN RAILWAY COMPANY			
† 1st Mortgage Bonds.....	5%		5,691,000
† Capital Stock.....			925,000
DOMINION ATLANTIC RAILWAY COMPANY			
† 2nd Debenture Stock.....	4%		924,667
† Extension Debenture Stock.....	4%		1,423,500
† Mortgage Bonds.....	4%		1,700,000
† Preference Stock.....	5%		1,313,122
† Ordinary Stock.....			1,101,849
ESQUIMALT & NANAIMO RAILWAY COMPANY			
† Mortgage Bonds.....	4%		7,165,000
† Capital Stock.....			2,500,000
FREDERICTON & GRAND LAKE COAL & RAILWAY COMPANY			
† 1st Mortgage Bonds.....	4%		465,000
† Capital Stock.....			140,000
GEORGIAN BAY & SEABOARD RAILWAY COMPANY			
† Mortgage Bonds.....	4%		4,840,000
† Capital Stock.....			250,000
GRAND RIVER RAILWAY COMPANY			
† Mortgage Bonds.....	4%		426,000
† Capital Stock.....			125,000
GREAT NORTH WEST CENTRAL RAILWAY COMPANY			
† 1st Mortgage Bonds.....	5%		1,375,000
† Capital Stock.....			500,000
GUELPH & GODERICH RAILWAY COMPANY			
† Mortgage Bonds.....	4%		2,415,000
† Capital Stock.....			125,000
INTERPROVINCIAL & JAMES BAY RAILWAY COMPANY			
† Mortgage Bonds.....	5%		3,850,000
† Capital Stock.....			34,000
JOLIETTE & BRANDON RAILWAY COMPANY			
† Capital Stock.....			300,000
KASLO & SLOCAN RAILWAY COMPANY			
† Mortgage Bonds.....	5%		531,000
† Capital Stock.....			1,000,000
<i>Carried forward.....</i>			\$ 77,165,288

LEASED RAILWAY COMPANIES—Continued

Par Value or
Principal Amount

<i>Brought forward</i>		\$ 77,165,288
KETTLE VALLEY RAILWAY COMPANY		
†	Mortgage Bonds.....	4% 15,210,000
†	2nd Mortgage Bonds.....	4% 1,507,000
†	Capital Stock.....	375,000
KINGSTON & PEMBROKE RAILWAY COMPANY		
†	Mortgage Bonds.....	4% 1,075,000
	1st Preferred Stock.....	995,450
	2nd Preferred Stock.....	136,450
	Common Stock.....	2,045,900
KOOTENAY & ARROWHEAD RAILWAY COMPANY		
†	1st Mortgage Bonds.....	5% 780,000
†	Capital Stock.....	250,000
KOOTENAY CENTRAL RAILWAY COMPANY		
†	Mortgage Bonds.....	4% 5,340,000
†	Capital Stock.....	250,000
LACOMBE & NORTH WESTERN RAILWAY COMPANY		
†	Mortgage Bonds.....	4% 2,300,000
†	Capital Stock.....	500,000
LAKE ERIE & NORTHERN RAILWAY COMPANY		
†	Consolidated Mortgage Bonds.....	4% 2,317,500
	Capital Stock.....	1,403,725
LINDSAY, BOBCAYGEON & PONTYPOOL RAILWAY COMPANY		
†	Capital Stock.....	200,000
MANITOBA & NORTH WESTERN RAILWAY COMPANY		
†	1st Mortgage Bonds.....	5% 160,600
†	1st Mortgage Bonds.....	6% 2,628,000
†	Mortgage Bonds.....	5% 12,196,000
†	Debenture Stock.....	5% 613,200
†	Preference Stock.....	415,000
	Capital Stock.....	5,613,113
MANITOBA SOUTH WESTERN COLONIZATION RAILWAY CO.		
†	1st Mortgage Bonds.....	5% 2,613,000
	Capital Stock.....	700,000
MIDLAND-SIMCOE RAILWAY COMPANY		
†	Capital Stock.....	250,000
MONTREAL & ATLANTIC RAILWAY COMPANY		
†	Mortgage Bonds.....	5% 1,425,000
	Capital Stock.....	2,480,000
MONTREAL & OTTAWA RAILWAY COMPANY		
†	1st Mortgage Bonds.....	5% 1,636,250
	Capital Stock.....	197,000
NAKUSP & SLOCAN RAILWAY COMPANY		
†	Mortgage Bonds.....	5% 1,211,750
†	Capital Stock.....	300,000
NEW BRUNSWICK SOUTHERN RAILWAY COMPANY		
†	Mortgage Bonds.....	4% 500,000
†	Capital Stock.....	49,000
NICOLA, KAMLOOPS & SIMILKAMEEN COAL & RAILWAY CO.		
†	Mortgage Bonds.....	4% 1,175,000
†	Capital Stock.....	250,000
NORTHERN COLONIZATION RAILWAY COMPANY		
†	Mortgage Bonds.....	4% 1,118,000
†	Capital Stock.....	300,000
ONTARIO & QUEBEC RAILWAY COMPANY		
	Common Stock.....	5,000
ORFORD MOUNTAIN RAILWAY COMPANY		
†	Mortgage Bonds.....	4% 702,000
†	Capital Stock.....	501,000
OTTAWA, NORTHERN & WESTERN RAILWAY COMPANY		
†	Mortgage Bonds.....	4% 3,075,000
†	Capital Stock.....	804,000
ST. LAWRENCE & OTTAWA RAILWAY COMPANY		
	Preference Stock.....	466,000
ST. MARY'S & WESTERN ONTARIO RAILWAY COMPANY		
†	Mortgage Bonds.....	4% 356,500
†	Capital Stock.....	250,000

Carried forward.....

\$ 153,841,726

LEASED RAILWAY COMPANIES—*Continued*Par Value or
Principal Amount

<i>Brought forward</i>		\$ 153,841,726
ST. MAURICE VALLEY RAILWAY COMPANY		
† Mortgage Bonds.....	4%	945,000
† Capital Stock.....		500,000
SASKATCHEWAN & WESTERN RAILWAY COMPANY		
† 1st Mortgage Bonds.....	5%	181,040
† Capital Stock.....		232,500
SHUSWAP & OKANAGAN RAILWAY COMPANY		
† Mortgage Bonds.....	4%	1,250,000
† Capital Stock.....		741,000
SOUTH ONTARIO PACIFIC RAILWAY COMPANY		
† Mortgage Bonds.....	4%	495,000
† Capital Stock.....		200,000
TILSONBURG, LAKE ERIE & PACIFIC RAILWAY COMPANY		
† Mortgage Bonds.....	4%	1,067,500
† Capital Stock.....		400,000
TORONTO, GREY & BRUCE RAILWAY COMPANY		
† Capital Stock.....		596,000
VANCOUVER & LULU ISLAND RAILWAY COMPANY		
† 1st Mortgage Bonds.....	5%	455,000
† Capital Stock.....		25,000
WALKERTON & LUCKNOW RAILWAY COMPANY		
† Mortgage Bonds.....	4%	740,000
† Capital Stock.....		19,000
WEST ONTARIO PACIFIC RAILWAY COMPANY		
† Capital Stock.....		21,000
Cost.....	\$ 132,661,549	Total \$ 161,709,766

CONTROLLED RAILWAY COMPANIES*

AROOSTOOK VALLEY RAILROAD COMPANY		\$ 240,000
† Capital Stock.....		
MINNEAPOLIS, ST. PAUL & SAULT STE. MARIE RAILWAY CO.		
† 1st Consolidated Mortgage Bonds.....	4%	3,993,000
† Secured Notes.....	6%	4,989,000
† Secured Notes.....	4%	6,721,013
THE DULUTH, SOUTH SHORE & ATLANTIC RAILWAY CO.		
† Marquette, Houghton & Ontonagon Railroad Company Mortgage Bonds.....	6%	1,071,000
† 1st Consolidated Mortgage Bonds.....	4%	15,107,000
MINERAL RANGE RAILROAD COMPANY		
† General Mortgage Bonds.....	4%	1,000,000
† Consolidated Mortgage Bonds.....	4%	177,800
† Consolidated Mortgage Bonds.....	5%	234,500
† Hancock & Calumet Railroad Company Consolidated Mortgage Bonds.....	5%	180,375
Cost.....	\$ 28,798,827	Total \$ 33,713,688

JOINTLY CONTROLLED RAILWAY COMPANIES

NORTHERN ALBERTA RAILWAYS COMPANY		
† 1st Mortgage Bonds.....	5%	\$ 10,150,000
† Capital Stock.....		312,500
TORONTO, HAMILTON & BUFFALO RAILWAY COMPANY		
† Capital Stock.....		1,469,500
TORONTO TERMINALS RAILWAY COMPANY		
† 1st Mortgage Bonds.....	5%	12,805,000
† Capital Stock.....		250,000
Cost.....	\$ 24,029,526	Total \$ 24,987,000

†Denotes complete ownership.

*The properties of all these Companies, except the Aroostook Valley Railroad Company, are being operated by Trustees under Section 77 of Bankruptcy Act of United States, and the investment in the stocks thereof has been written off.

WHOLLY OWNED COMPANIES		Par Value or Principal Amount	
CANADIAN PACIFIC EXPRESS COMPANY			
Capital Stock.....		\$	3,000,000
CANADIAN PACIFIC RAILWAY AGENCY (BELGIUM) S.A.			
Capital Stock.....	Cost		8,000
CANADIAN PACIFIC RAILWAY (FRANCE) S.A.			
Capital Stock.....	Cost		9,694
CANADIAN PACIFIC RAILWAY (GERMANY) G.m.b.H.			
Capital Stock.....	Cost		136
CANADIAN PACIFIC RAILWAY (ITALY) S.A.I.			
Capital Stock.....	Cost		2,576
CANADIAN PACIFIC STEAMSHIPS, LIMITED			
Capital Stock.....			34,407
CANADIAN PACIFIC TRANSPORT COMPANY, LIMITED			
Capital Stock.....			50,000
CHATEAU FRONTENAC COMPANY			
Common Stock.....			280,000
EASTERN ABATTOIRS, LIMITED			
Capital Stock.....			5,700
MERSEY TOWING COMPANY, LIMITED			
Common Stock.....			165,905
QUEBEC CENTRAL TRANSPORTATION COMPANY			
Capital Stock.....			42,000
ST. JOHN BRIDGE & RAILWAY EXTENSION COMPANY			
1st Mortgage Bonds.....	5%		125,000
Capital Stock.....			200,000
SEIGNIORY CLUB COMMUNITY ASSOCIATION, LIMITED			
1st Mortgage Income Bonds.....	5%		3,600,000
Capital Stock—No Par Value—10,000 Shares....	Cost		500,000
THE ALBERTA STOCK YARDS COMPANY, LIMITED			
Preferred Stock.....			350,000
Common Stock.....			86,000
THE LADYSMITH WATER COMPANY, LIMITED			
Capital Stock.....			50,000
THE NEW BRUNSWICK COLD STORAGE COMPANY, LIMITED			
Cumulative Preference Stock.....			25,000
Capital Stock.....			50,000
THE SCOTTISH TRUST COMPANY			
Capital Stock.....			250,000
Cost.....	\$ 8,622,401	Total	\$ 8,834,418

SUMMARY		Par Value or Principal Amount	
	Cost		
Leased Railway Companies.....	\$ 132,661,549	\$	161,709,766
Controlled Railway Companies.....	28,798,827		33,713,688
Jointly Controlled Railway Companies.....	24,029,526		24,987,000
Wholly Owned Companies.....	8,622,401		8,834,418
	<u>\$ 194,112,303</u>		<u>\$ 229,244,872</u>

MISCELLANEOUS INVESTMENTS AT DECEMBER 31, 1941

	Par Value or Principal Amount
Cambridge Collieries Company	
1st Mortgage Bonds.....	\$ 251,440
Canadian Australasian Line, Limited	
Capital Stock.....	2,433,300
Canadian Pacific Car & Passenger Transfer Company, Limited	
Common Stock.....	200,000
Lethbridge Collieries, Limited	
Capital Stock.....	770,000
Lord Nelson Hotel Company, Limited	
Cumulative Preference Stock.....	350,000
Common Stock—No Par Value.....	Cost 4,500
Midland Simcoe Elevator Company, Limited	
Capital Stock.....	392,000
New Jersey Bridge Construction Company	
Capital Stock.....	5,000
The Consolidated Mining & Smelting Company of Canada, Limited	
Capital Stock.....	8,412,500
The Pennsylvania-Ontario Transportation Company	
Capital Stock.....	187,500
The Public Markets, Limited	
Capital Stock.....	575,000
The Quebec Salvage & Wrecking Company, Limited	
Capital Stock.....	180,000
Vancouver Hotel Company Limited	
Capital Stock.....	75,000
Other Investments.....	Cost 5,611,529
Cost.....	\$ 27,595,427
Total	\$ 19,447,769

CAPITAL AND DEBENTURE STOCKS AT DECEMBER 31, 1941

				Total as per Balance Sheet
ORDINARY STOCK:				
Issued: 13,400,000 shares—\$25 Par Value.....				\$335,000,000
PREFERENCE STOCK—4% NON-CUMULATIVE:				
Issued: £28,203,477—in amounts of £1 and multiples thereof.....				\$137,256,921
PERPETUAL 4% CONSOLIDATED DEBENTURE STOCK:				
		United States	Canadian	
	Sterling	Currency	Currency	
Issued.....	£ 47,350,321	\$191,791,400	\$ 48,941,600	\$471,171,229
Less pledged as collateral.....	—	126,791,400	48,941,600	175,733,000
	£ 47,350,321	\$ 65,000,000	—	\$295,438,229

FUNDED DEBT AT DECEMBER 31, 1941

	RATE	DATE OF ISSUE	DATE OF MATURITY	CURRENCY IN WHICH PAYABLE	PRINCIPAL OUTSTANDING
EQUIPMENT OBLIGATIONS:					
†Equipment Trust.....	5%	July 1, 1929	July 1, 1944	Canadian or United States	\$ 19,700,000
Equipment Trust Series "C".....	4½%	Dec. 1, 1930	Serially to Nov. 30, 1945	United States	3,800,000
*Equipment Trust.....	3%	Feb. 1, 1937	Serially to	Canadian	5,628,000
Series "D".....	2½%	Feb. 1, 1937	Jan. 31, 1952	United States	5,628,000
Equipment Trust Series "E".....	3%	June 1, 1938	Serially to May 31, 1953	Canadian	9,504,000
Equipment Agreement Dominion Government	3%	Dec. 15, 1937	Serially to Jan. 1, 1950	Canadian	3,966,923
Equipment Agreement Dominion Government	3½%	June 6, 1940	Serially to June 6, 1955	Canadian	9,288,057
**COLLATERAL TRUST BONDS:					
Twenty Year Gold Bonds.....	4½%	Sept. 1, 1926	Sept. 1, 1946	Canadian or United States	20,000,000
Twenty-five Year Gold Bonds.....	5%	Dec. 1, 1929	Dec. 1, 1954	Canadian or United States	30,000,000
Thirty Year Gold Bonds.....	4½%	July 1, 1930	July 1, 1960	Canadian or United States	25,000,000
Convertible Ten Year Bonds.....	6%	Mar. 15, 1932	Mar. 15, 1942	Canadian	11,124,500
(Conversion privilege has terminated)					
Convertible Fifteen Year Bonds.....	4%	July 2, 1934	July 2, 1949	Canadian	12,000,000
(Conversion privilege has terminated)					
Convertible Fifteen Year Bonds.....	3½%	Feb. 15, 1936	Feb. 15, 1951	Canadian	10,000,000
(Conversion privilege termin- ates February 15, 1944)					
Convertible Nine and One-half Year Bonds...	3%	Apr. 1, 1936	Oct. 1, 1945	Canadian	13,000,000
(Conversion privilege termin- ates April 1, 1944)					
**NOTES:					
Serial Secured Notes.....	4%	Jan. 28, 1938	Serially to Feb. 1, 1948	United States	8,020,145
†Serial Secured Notes.....	3½%	Dec. 1, 1939	Serially to Dec. 1, 1945	Canadian	4,000,000
					<u>\$190,659,625</u>

†Securities and cash deposited with Trustee aggregate \$13,078,103.

*Secured in part by pledge of Perpetual 4% Consolidated Debenture Stock aggregating, in principal amount, \$2,814,000.

**Secured by pledge of Perpetual 4% Consolidated Debenture Stock aggregating, in principal amount, \$172,919,000.

†Secured in part by pledge of 112,000 shares of the Capital Stock of The Consolidated Mining & Smelting Company of Canada, Ltd.

OBLIGATIONS IN RESPECT OF PRINCIPAL OF SECURITIES OF
COMPANIES OWNING RAILWAY LINES OPERATED UNDER LEASE
AT DECEMBER 31, 1941

DESCRIPTION	RATE	PRINCIPAL OUTSTANDING	NATURE OF OBLIGATION
ALGOMA EASTERN RAILWAY COMPANY			
First Mortgage Bonds, maturing March 1, 1961.....	5%	\$ 2,226,500	Indemnity to the Lake Superior Corporation against liability under its guarantee of principal.
ATLANTIC & NORTH-WEST RAILWAY COMPANY			
First Mortgage Redeemable Debenture Stock, maturing January 1, 1957...	4%	6,326,667	Guarantee of principal and interest.
CALGARY & EDMONTON RAILWAY COMPANY			
Consolidated Debenture Stock, terminable January 1, 2002.....	4%	5,458,940	Guarantee and assumption of payment of principal upon expiry of lease (January 1, 2002) or in alternative, renewal of lease.
JOLIETTE & BRANDON RAILWAY COMPANY			
First Mortgage Bonds, maturing January 1, 2000.....	4%	125,000	Covenant in lease to pay principal upon expiry of term (January 1, 2000).
LACOMBE & NORTH WESTERN RAILWAY COMPANY			
First Mortgage Debenture Bonds, maturing October 22, 1943.....	5%	273,700	Assumption of liability of Province of Alberta under its guarantee of principal.
QUEBEC CENTRAL RAILWAY COMPANY			
Second Mortgage Debenture Stock, maturing January 1, 1963.....	3½%	1,644,933	Guarantee of principal in favour of Trustees.
Third Mortgage Bonds, maturing January 1, 1963.....	5%	1,644,933	Guarantee of principal in favour of Trustees.

The amounts of the above obligations are stated in Canadian currency, those payable in currencies other than Canadian having been converted at par of exchange.

The interest on these obligations is included as part of Rent for Leased Roads in Fixed Charges.

CONTINGENT LIABILITIES AT DECEMBER 31, 1941

OBLIGATIONS IN RESPECT OF SECURITIES OF CONTROLLED COMPANIES NOT OPERATED OR WHOLLY OWNED

Description	Rate	Principal Outstanding	Nature of Obligation
AROOSTOOK VALLEY RAILROAD COMPANY			
First and Refunding Mortgage Bonds, maturing July 1, 1961.....	4½%	\$ 455,832*	Guarantee of interest.
First and Refunding Mortgage Bonds, Series "A", maturing August 1, 1957	5½%	280,500	Guarantee of interest.
*Includes \$231,325 held in Sinking Fund.			
LORD NELSON HOTEL COMPANY, LIMITED			
First Mortgage Sinking Fund Bonds, maturing November 1, 1947.....	4%	600,000	Guarantee of interest.
MINNEAPOLIS, ST. PAUL & SAULT STE. MARIE RAILWAY COMPANY†			
Second Mortgage Bonds, maturing January 1, 1949.....	4%	3,500,000	Guarantee of interest.
First Refunding Mortgage Bonds, Series "B", maturing July 1, 1978..	5½%	24,606,000*	Guarantee of interest.

†Of the First Consolidated Mortgage Bonds which matured on July 1, 1938, \$56,863,000 of the 4% and \$8,136,000 of the 5% were guaranteed as to interest by your Company. These bonds were not redeemed at maturity and several actions have been commenced by holders of some of them, claiming that the obligation of your Company under its guarantee of interest thereon extends beyond their maturity. Your Company is advised that its guarantee terminated with the instalment of interest due July 1, 1938, and that it has a good defence to these actions.

*Of these \$1,140,500 are owned by your Company and \$12,500,000 are pledged as collateral for notes, all of which, except \$11,000, are owned by your Company.

OTHER CONTINGENT LIABILITIES

In addition to the foregoing, there are certain other contingent liabilities which may be briefly described as follows:—

MIDLAND SIMCOE ELEVATOR COMPANY, LIMITED.—Joint and several guarantee with Mr. James Playfair (deceased) of principal and interest of 5% construction loan amounting to \$250,000.

NORTHERN ALBERTA RAILWAYS COMPANY.—Agreement binding your Company jointly and equally with Canadian National Railway Company to indemnify the Government of Alberta against liability under its guarantee of principal of \$7,000,000 First Mortgage 4% Debenture Stock maturing February 16, 1942, and \$2,420,000 First Mortgage 4½% Bonds maturing October 22, 1944, of the Edmonton, Dunvegan and British Columbia Railway Company. These obligations have been assumed by the Northern Alberta Railways Company, which is controlled jointly with the Canadian National Railway Company. The contingent liability of your Company in respect of the principal of these obligations is \$4,710,000. The interest on these obligations has also been assumed by the Northern Alberta Railways Company and forms part of its Fixed Charges. One-half of the income deficit of that company is taken up currently in "Other Income."

TORONTO, HAMILTON AND BUFFALO RAILWAY COMPANY.—Joint and several agreement with Michigan Central Railroad Company, New York Central Railroad Company and Canada Southern Railway Company to make up to Toronto, Hamilton and Buffalo Railway Company any interest which it is unable to provide on \$2,000,000* Consolidated Mortgage 4½% Bonds, Series "A", maturing August 1, 1966.

*Includes \$128,000 held in the Treasury of the issuing company.

The amounts of the above contingent liabilities are stated in Canadian currency, those in currencies other than Canadian having been converted at par of exchange.

LAND SURPLUS ACCOUNT

Land Surplus December 31, 1940.....		\$ 65,913,414
Land and Townsite Sales.....	\$ 1,627,460	
Miscellaneous Receipts.....	945,856	
	<u> </u>	2,573,316
		<u>\$ 68,486,730</u>
DEDUCT:		
Land and irrigation expenses.....	\$ 703,624	
Taxes.....	593,795	
Inventory value of lands sold.....	1,423,284	
Land contracts cancelled.....	\$ 1,457,723	
Less: Inventory value of lands reacquired.....	<u>488,728</u>	
	968,995	
Miscellaneous adjustments.....	<u>317,989</u>	
		<u>4,007,687</u>
Land Surplus December 31, 1941, as per Balance Sheet.....		<u><u>\$ 64,479,043</u></u>

MILEAGE AT DECEMBER 31, 1941

CANADIAN PACIFIC RAILWAY—		Miles Operated
New Brunswick District		841.8
Quebec		1,650.6
Ontario		1,416.0
Algoma		1,221.5
Manitoba		2,530.2
Saskatchewan		3,627.9
Alberta		3,167.7
British Columbia		2,022.2
Dominion Atlantic Lines		304.0
Quebec Central Lines		356.6
Total		17,138.5
CANADIAN PACIFIC ELECTRIC LINES—		
Grand River Railway		18.4
Lake Erie & Northern Railway		51.0
		69.4
		17,207.9
CONTROLLED RAILWAY COMPANIES—		
Aroostook Valley Railroad		32.1
Minneapolis, St. Paul & Sault Ste. Marie Railway		3,219.2*
The Duluth, South Shore & Atlantic Railway	535.7	
Mineral Range Railroad	26.2	
		561.9*
		3,813.2
		21,021.1

*The properties of these Companies are being operated by Trustees under Section 77 of Bankruptcy Act of United States.

ROLLING STOCK

(Including equipment of leased subsidiaries)

Locomotives	1,668
First and second class Passenger, Tourist Sleeping, Baggage, Mail and Express Cars*	2,191
First class Sleeping, Parlor and Dining Cars	600
Freight Cars (all kinds)	74,049
Conductors Vans	1,106
Boarding, Tool and Auxiliary Cars and other Work Equipment	4,741

*Includes 22 Cars in Toronto, Hamilton and Buffalo Line Service in which the Company owns 36.04% interest.

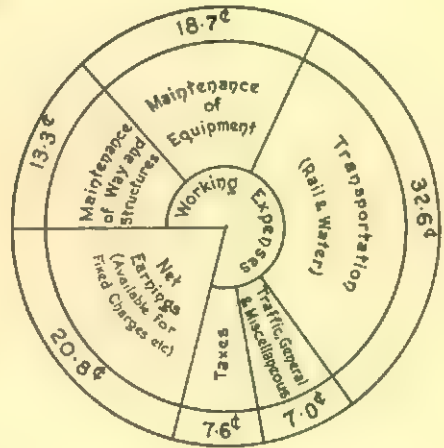
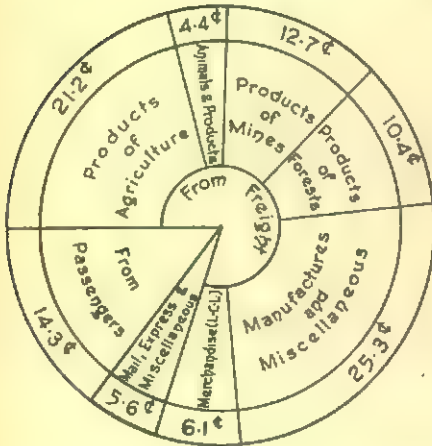
HOTELS

The Digby Pines	Digby, N.S.	Royal Alexandra	Winnipeg, Man.
Cornwallis Inn	Kentville, N.S.	Saskatchewan	Regina, Sask.
Lakeside Inn	Yarmouth, N.S.	Palliser	Calgary, Alta.
Algonquin	St. Andrews, N.B.	Banff Springs	Banff, Alta.
McAdam	McAdam, N.B.	Chateau Lake Louise	Lake Louise, Alta.
Chateau Frontenac	Quebec, Que.	Emerald Lake	Emerald Lake, B.C.
Royal York	Toronto, Ont.	Empress	Victoria, B.C.

Hotel Vancouver—Operated by the Vancouver Hotel Company Limited on behalf of the Canadian National and Canadian Pacific Railways.

THE CANADIAN PACIFIC RAILWAY DOLLAR

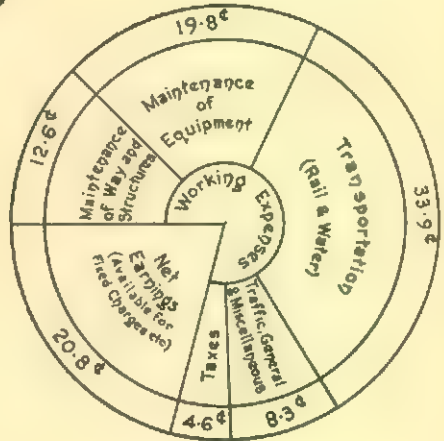
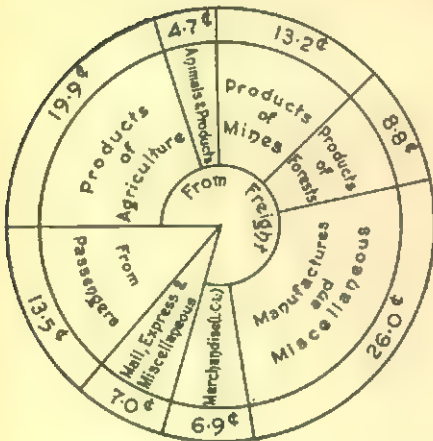
1941



WHERE THE EARNINGS
CAME FROM

WHERE THE EARNINGS
WENT TO

1940

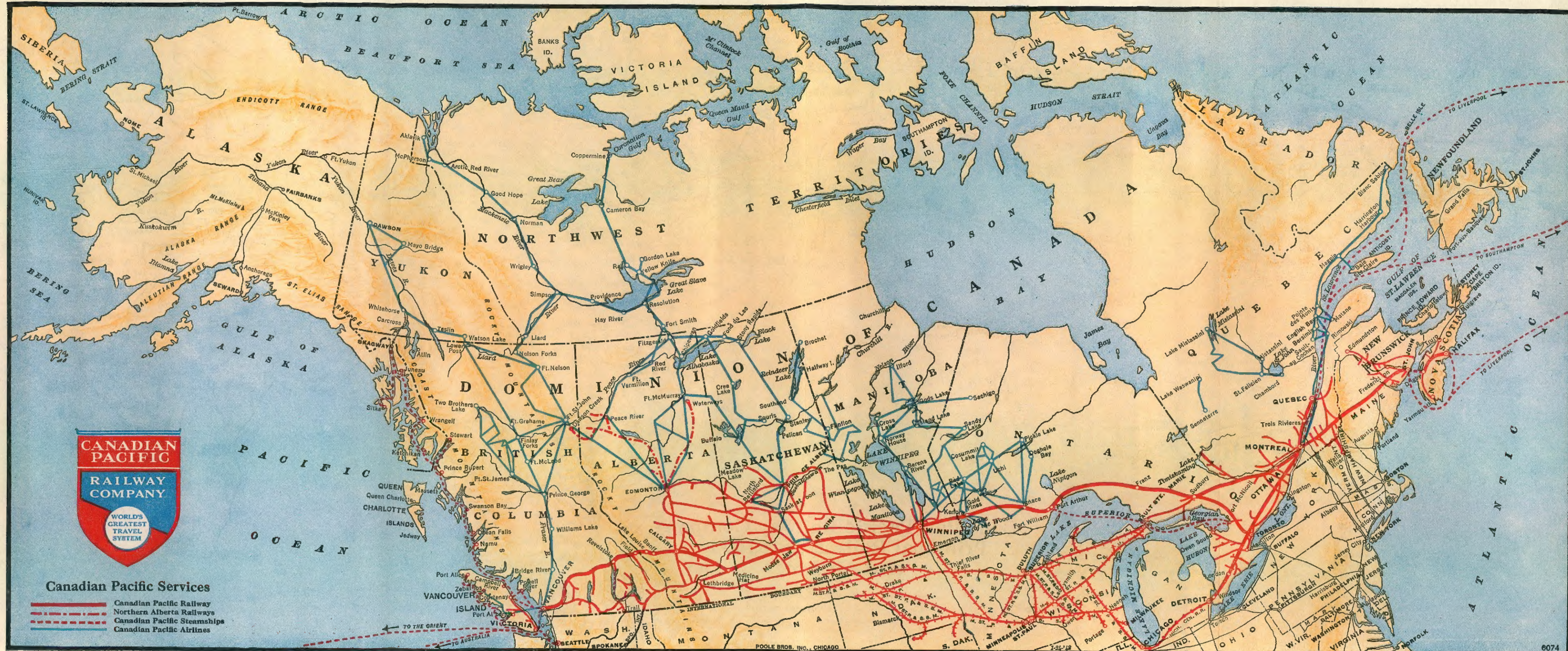


TRANSPORTATION AND TRAFFIC STATISTICS

	Year 1941	Year 1940	Increase or Decrease	
			Amount or Number	Per Cent.
AVERAGE MILES OF ROAD OPERATED.....	17,150.6	17,158.7	8.1	.05
TRAIN MILEAGE				
Freight.....	30,792,980	23,379,054	7,413,926	31.71
Passenger.....	17,189,893	15,998,882	1,191,011	7.44
Motor.....	481,341	623,289	141,948	22.77
Total Transportation Service.....	48,464,214	40,001,225	8,462,989	21.16
LOCOMOTIVE MILEAGE				
Freight.....	34,589,291	26,025,160	8,564,131	32.91
Passenger.....	17,954,443	16,601,454	1,352,989	8.15
Switching—Road and Yard.....	11,600,052	9,458,249	2,141,803	22.64
Total Transportation Service.....	64,143,786	52,084,863	12,058,923	23.15
CAR MILEAGE				
FREIGHT				
Loaded.....	762,992,770	586,035,603	176,957,167	30.20
Empty.....	418,353,333	301,639,135	116,714,198	38.69
Caboose.....	32,198,929	24,426,472	7,772,457	31.82
Total.....	1,213,545,032	912,101,210	301,443,822	33.05
PASSENGER				
Coaches.....	46,269,551	39,017,277	7,252,274	18.59
Sleeping, Parlor and Observation.....	45,866,598	39,970,302	5,896,296	14.75
Dining.....	7,888,184	6,119,785	1,768,399	28.90
Other.....	43,450,670	40,675,273	2,775,397	6.82
Total.....	143,475,003	125,782,637	17,692,366	14.07
Total Transportation Service.....	1,357,020,035	1,037,883,847	319,136,188	30.75
FREIGHT TRAFFIC—RAIL				
Freight revenue.....	\$176,206,093	\$134,659,475	\$41,546,618	30.85
Tons—Revenue freight.....	44,709,716	36,745,946	7,963,770	21.67
Tons—Non-revenue freight.....	6,395,940	5,057,822	1,338,118	26.46
Tons—All freight.....	51,105,656	41,803,768	9,301,888	22.25
Ton miles—Revenue freight.....	22,375,726,787	16,027,797,892	6,347,928,895	39.61
Ton miles—Non-revenue freight.....	1,931,490,005	1,623,907,522	307,582,483	18.94
Ton miles—All freight.....	24,307,216,792	17,651,705,414	6,655,511,378	37.70
AVERAGES PER MILE OF ROAD				
Freight revenue.....	\$10,274	\$7,848	\$2,426	30.91
Train miles.....	1,795	1,363	432	31.69
Total freight train car miles.....	70,758	53,157	17,601	33.11
Ton miles—Revenue freight.....	1,304,661	934,092	370,569	39.67
Ton miles—All freight.....	1,417,281	1,028,732	388,549	37.77
AVERAGES PER TRAIN MILE				
Freight revenue.....	\$5.72	\$5.76	\$0.04	.69
Loaded freight car miles.....	24.78	25.07	.29	1.16
Empty freight car miles.....	13.59	12.90	.69	5.35
Total freight train car miles.....	39.41	39.01	.40	1.03
Ton miles—Revenue freight.....	726.65	685.56	41.09	5.99
Ton miles—All freight.....	789.38	755.02	34.36	4.55
AVERAGES PER LOADED CAR MILE				
Freight revenue (cents).....	23.09	22.98	.11	.48
Ton miles—All freight.....	31.86	30.12	1.74	5.78
MISCELLANEOUS AVERAGES				
Revenue per ton of freight.....	\$3.94	\$3.66	\$0.28	7.65
Revenue per ton mile of freight (cents).....	0.787	0.840	.053	6.31
Miles hauled—Revenue freight.....	500.47	436.18	64.29	14.74
Miles hauled—Non-revenue freight.....	301.99	321.07	19.08	5.94
Miles hauled—All freight.....	475.63	422.25	53.38	12.64

TRANSPORTATION AND TRAFFIC STATISTICS—Continued

	Year 1941	Year 1940	Increase or Decrease	
			Amount or Number	Per Cent.
CLASSIFICATION OF REVENUE TONNAGE CARRIED				
Products of Agriculture.....	12,314,459	9,193,776	3,120,683	33.94
Animals and Products.....	921,149	757,153	163,996	21.66
Products of Mines.....	16,042,017	14,238,096	1,803,921	12.66
Products of Forests.....	4,771,865	3,963,578	808,287	20.39
Manufactures and Miscellaneous.....	9,647,608	7,754,112	1,893,496	24.42
Total Carload Traffic.....	43,697,098	35,906,715	7,790,383	21.70
All less carload freight.....	1,012,618	839,231	173,387	20.66
Total Carload and L.C.L. Traffic.....	44,709,716	36,745,946	7,963,770	21.67
PASSENGER TRAFFIC—RAIL				
Passenger revenue.....	\$25,066,328	\$18,202,300	\$6,864,028	37.71
Passenger service train revenue.....	\$36,216,855	\$28,778,858	\$7,437,997	25.85
Revenue passengers carried.....	9,144,613	7,781,227	1,363,386	17.52
Revenue passenger miles.....	1,313,489,479	925,331,787	388,157,692	41.95
AVERAGES PER MILE OF ROAD				
Passenger revenue.....	\$1.462	\$1.061	\$401	37.79
Passenger service train revenue.....	\$2.112	\$1.677	\$435	25.94
Train miles.....	1,030	969	61	6.30
Total passenger train car miles.....	8,366	7,331	1,035	14.12
Revenue passenger miles.....	76,586	53,928	22,658	42.02
AVERAGES PER TRAIN MILE				
Passenger revenue.....	\$1.42	\$1.10	\$0.32	29.09
Passenger service train revenue.....	\$2.05	\$1.73	\$0.32	18.50
Total passenger train car miles.....	8.12	7.57	.55	7.27
Revenue passenger miles.....	74.33	55.67	18.66	33.52
AVERAGES PER CAR MILE—PASSENGER				
Passenger revenue (cents).....	25.06	21.39	3.67	17.16
Revenue passenger miles.....	13.13	10.87	2.26	20.79
MISCELLANEOUS AVERAGES				
Revenue per passenger.....	\$2.74	\$2.34	\$0.40	17.09
Revenue per passenger mile (cents).....	1.91	1.97	.06	3.05
Miles carried—Revenue passengers.....	143.64	118.92	24.72	20.79
TOTAL TRAFFIC—RAIL				
AVERAGES PER MILE OF ROAD				
Train miles—Transportation service.....	2,826	2,331	495	21.24
Car miles—Transportation service.....	79,124	60,487	18,637	30.81
Operating revenues.....	\$12,888	\$9,915	\$2,973	29.98
Operating expenses.....	\$9,184	\$7,375	\$1,809	24.53
Net operating revenue.....	\$3,704	\$2,540	\$1,164	45.83
AVERAGES PER TRAIN MILE				
Operating revenues.....	\$4.56	\$4.25	\$0.31	7.29
Operating expenses.....	\$3.25	\$3.16	\$0.09	2.85
Net operating revenue.....	\$1.31	\$1.09	\$0.22	20.18
TOTAL TRAFFIC—RAIL AND INLAND WATER LINES				
Operating revenues.....	\$222,502,518	\$171,535,476	\$50,967,042	29.71
Operating expenses.....	\$158,655,359	\$127,559,593	\$31,095,766	24.38
Net operating revenue.....	\$63,847,159	\$43,975,883	\$19,871,276	45.19
Tax accruals, net of hire of equipment and joint facility rents.....	\$17,889,623	\$8,336,445	\$9,553,178	114.60
Net earnings.....	\$45,957,536	\$35,639,438	\$10,318,098	28.95
Per cent. operating expenses to operating revenues.....	71.30	74.36	3.06	4.12
Payroll charged operating expenses.....	\$87,818,475	\$75,136,085	\$12,682,390	16.88
Per cent. payroll to operating revenues.....	39.47	43.80	4.33	9.89
Per cent. payroll to operating expenses.....	55.35	58.90	3.55	6.03



Canadian Pacific Services

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- Northern Alberta Railways
- Canadian Pacific Steamships
- Canadian Pacific Airlines

